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April 22, 1994

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

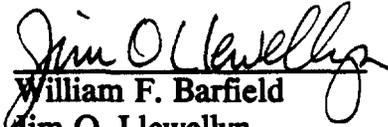
Re: Personal Communications Services, GN Docket 90-314

Dear Mr. Caton:

BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Cellular Corporation hereby submit the "Statement of BellSouth in Response to Panel Discussions on Broadband PCS before the FCC's PCS Task Force." This statement is being filed in response to the invitation of the Task Force at the panel discussions held on April 11 and 12, 1994.

Respectfully submitted,

BELLSOUTH CORPORATION,  
BELLSOUTH TELECOMMUNICATIONS, INC.,  
BELLSOUTH CELLULAR CORPORATION

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**STATEMENT OF BELL SOUTH IN RESPONSE TO  
PANEL DISCUSSIONS ON BROADBAND PCS  
BEFORE THE FCC'S PCS TASK FORCE**

(Gen. Docket 90-314)

The Commission's PCS Task Force held two days of panel discussions concerning Broadband PCS on April 11 and 12, 1994. The PCS Task Force invited interested parties to file statements in response to the views expressed at the forum. BellSouth is filing this statement in response to that invitation. In this statement, BellSouth addresses the use of 10 MHz spectrum assignments and the effect of delaying PCS licensing to perfect the rules.

*Use of 10 MHz Spectrum Blocks  
is Contrary to the Public Interest*

The use of 10 MHz spectrum blocks is contrary to the Congress's public interest objectives. It will lead to a fragmented PCS market, with licensees having a limited market share and high fixed costs per subscriber. As a result, it will significantly delay full deployment of a valuable, reasonably priced service that would create jobs and economic opportunities; it will diminish the universality of coverage; and it will substantially lessen the competitive delivery of service. It will also lessen the FCC's ability to recover an appropriate portion of the value of PCS spectrum through auctions.

Assigning spectrum in blocks of 10 MHz will fragment the market among many small service providers, each of which will have too little spectrum to provide a full range of services to customers. As Paul Rissman, a panelist from the Alliance Capital Management, L.P., said at the Task Force forum, 10 MHz blocks are "spectrum awards that are too narrow for full-service applications." Elliott Hamilton of Malarkey-Taylor Associates/EMCI stated that "a large majority of the 10 MHz licensees do not appear to be viable as a high-mobility PCS system without substantial support and subsidy from a related wireless enterprise." BellSouth agrees that a 10 MHz PCS service does not appear to be viable as a stand-alone enterprise.

For companies not affiliated with a local cellular licensee, simultaneous multiple-round auctions will facilitate consolidation somewhat, but ultimately there will have to be aftermarket transactions to give a licensee access to usable spectrum. With 10 MHz blocks, incumbent microwave operations pose a substantial problem: According to John Battin, a Motorola representative participating in the Task Force's panel discussion, "you take a big chance of coming home with a piece of the spectrum you can't use for three to four years." Clearing the spectrum will take considerable time and impose significant costs. The use of larger spectrum blocks would minimize these delays and costs.

At the same time, each 10 MHz licensee would have higher fixed costs per subscriber than would be the case with a larger spectrum assignment. More cells will be needed because of the reduced traffic-bearing capacity of any given cell. Because of the higher fixed costs involved, a given investment will serve fewer customers at a higher cost if 10 MHz

of spectrum is used than if a larger spectrum block is used. Given this simple economic fact, 10 MHz licensees simply will not be competitive with the 20 MHz or 30 MHz licensees. As David Kerr, a telecommunications analyst with BIS Strategic Decisions, noted at the Task Force panel discussions, 10 MHz blocks will not be "economically viable" and will "limit investor interest."

Given the 10 MHz licensees' high fixed costs, limited functionality, and large number of licensees compared with the number of 20 MHz and 30 MHz licensees, the 10 MHz licensees cannot be expected to have an appreciable market share. Having four blocks of 10 MHz simply ensures that the small portion of the PCS market that can be served by limited-functionality service providers will be splintered.

For all these reasons, BellSouth believes that the use of 10 MHz spectrum blocks is a mistake that will seriously diminish the public benefits of PCS. The PCS Task Force heard credible statements from panelists with a very substantial stake in PCS, who offered their opinions after expending considerable time, money, and effort formulating a position. These panelists -- from the financial side, from consultants, from potential service providers, and from strategic planners -- uniformly stated that 10 MHz PCS spectrum blocks simply will not work. BellSouth urges the Commission to take advantage of the opportunity to reconsider its spectrum allocation and eliminate its use of 10 MHz spectrum blocks.

#### *A Short Delay Is Tolerable*

One issue debated at the PCS Task Force forum was whether the FCC should take the time needed to fully address the petitions for reconsideration. Some panelists opposed delaying PCS licensing because of the economic effects, while others supported taking a year or more to make certain the rules are correct.

Given the momentous nature of this proceeding, the rules and policies adopted will have long-lasting effects. BellSouth's position is that the Commission should accept a short delay to ensure that its PCS rules and policies are workable and will serve the public interest.